

FFBL POWER COMPANY LIMITED

Analysts:

Rida Hashmi
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RATING DETAILS

RATINGS CATEGORY	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
ENTITY	AA	A1	AA	A1
RATING OUTLOOK/ WATCH	Stable		Stable	
RATING ACTION	Reaffirmed		Upgrade	
RATING DATE	May 22, 2026		March 27, 2025	

Shareholding (5% or More)

Fauji Fertilizer Company – 100%

Other Information

Incorporated in 2014

Public Limited Company

Chief Executive Officer: Mr. Jahangir Piracha

External Auditor: AF Ferguson & Co Chartered Accountants

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates Ratings
<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Rating Rationale

The ratings reflect FPCL's strategic role within the Fauji Foundation group, specifically the Bin Qasim Fertilizer Complex in Karachi, underpinned by its long-term power and steam purchase agreements with parent Fauji Fertilizer Company, which provides a predictable revenue base. However, the Company's take or pay PPA with KE exposes cashflows to merit-order dispatch risk and evolving dynamics in power sector. The company's financial profile has strengthened following full repayment of long-term debt, translating into very low leverage, robust debt service coverage, and sound liquidity. The stable outlook incorporates expectations that FPCL will maintain conservative financial metrics, sustain reliable performance under the FFC-linked contracts, and prudently manage offtake volatility.

Company Profile

FPCL operates a 118 MW coal-fired power plant, which became operational on May 19, 2017. The entity is a subsidiary of Fauji Fertilizer Company Limited (FFC), under the umbrella of Fauji Foundation (FF). FPCL's functions include generating power and steam for FFC's fertilizer complex at Port Qasim and supplying electricity to K-Electric (KE). The plant is located at Port Qasim, Karachi. Shareholding is held by FFC 100%.

Sponsor Profile

Fauji Fertilizer Company Limited (the Company) is a public company incorporated in Pakistan under the Companies Act, 1913 (now the Companies Act, 2017), and its shares are quoted on the Pakistan Stock Exchange. The Company is domiciled in Rawalpindi. The principal activity of the Company is manufacturing, purchasing and marketing of fertilizers and chemicals, including investment in other fertilizer, chemical, cement, energy generation, food processing and banking operations. The Company is a subsidiary of Fauji Foundation (FF), which is also its ultimate parent entity.

Management and Governance

CHAIRMAN AND CEO PROFILES

Mr. Jahangir Piracha serves as the Managing Director and Chief Executive Officer of FFC and FPCL, bringing over thirty years of leadership experience across the chemicals, energy, and agri-business sectors. Prior to his current role, he held several senior executive positions including CEO roles at Engro Polymer and Chemicals and Engro Vopak. A Chemical Engineering graduate from UET Lahore with advanced management training from INSEAD, he is currently focused on driving innovation and sustainable growth to support Pakistan's agricultural development and food security.

Lieutenant General Anwar Ali Hyder, HI(M) (Retired), serves as the Chairman of the Fauji Group of Companies and Managing Director of Fauji Foundation, bringing over forty years of experience in defense, public administration, and corporate governance. Previously, he served as the Federal Minister for Defence and Defence Production and held senior military appointments such as Adjutant General of the Pakistan Army. A graduate of the U.S. Army War College and National Defence University, he is highly regarded for his strategic foresight and commitment to large-scale institutional development across Pakistan's corporate and social sectors.

MANAGEMENT AND BOARD OF DIRECTORS

The Board of Directors ('BOD') comprises nine (9) members, classified as one (1) executive director (the CEO) and eight (8) non-executive directors. Since it is a private company and part of a group structure, the board members are nominated by the parent entity. The BOD went through a transition in CY25 as an outcome of the merger between Fauji Fertilizer Company Limited ('FFC') and Fauji Fertilizer bin Qasim Limited ('FFBL'). Specifically, Mr. Jahangir Piracha, who previously served as a non-executive director, replaced Mr. Arif ur Rehman as the CEO and Managing Director. Consequently, Mr. Amjad Ahmed Butt was appointed as a Non-Executive Director to the board. Further changes occurred in December 2025, when Mr. Qamar Manzoor and Mr. Mazhar Hasnani stepped down. They were replaced by Mr. Syed Shehzad Nabi, Group Director Technical at Fauji Foundation, and Mr. Muhammad Majid Munir. Both new appointees hold common directorships across group companies, reflecting a continued emphasis on institutional oversight and strategic alignment within the group.

In tandem with the transitions at the board level, FPCL's senior management team was also restructured during CY25 to enhance operational synergy. In addition to the appointment of the new CEO and Managing Director, the company filled key executive positions by appointing a new Chief Financial Officer (CFO) and a Chief Operating Officer (COO). These strategic leadership changes are intended to reinforce the company's financial oversight and operational execution as it integrates into the post-merger framework of the parent group, ensuring stability and professional management during the consolidation phase.

AUDIT OPINION

A.F. Ferguson & Co. Chartered Accountants, categorized as 'Category A' on the SBP's Panel of Auditors and with satisfactory QCR rating from ICAP, has provided an unqualified and unmodified opinion, affirming that the Company's financial statements comply with accounting standards and accurately portray the Company's financial position as of June 30, 2025.

Business Risk

INDUSTRY

Total electricity generated in the country during FY25 amounted to 127,160 GWh. This is a decline from FY24's 138,029 GWh (and FY23's 154,056 GWh). The decline in generation/consumption is attributed to reduced economic activity, a slowdown in industrial and commercial operations, high electricity tariffs impacting household and overall patterns, increased reliance on off-grid solar solutions (especially rooftop/net metering), energy conservation measures, and weak industrial demand. As of December 31, 2025 (end of 1HFY26), Pakistan's total installed power generation capacity in the national grid stood at approximately 46,605 MW. This marks an increase from June 30, 2024, figure of 42,362 MW, primarily driven by additions in renewables and minor contributions from other sources. However, the company's business risk is mitigated by the offtake agreements with a parent company and a private utility company.

OPERATIONS

EQUIPMENT

FPCL's plant features a Circulating Fluidized Bed (CFB) boilers from Hyundai Heavy Industries, which allows them flexibility of burning both local and imported coal. The plant features two (2) 24MW steam turbines and one (1) 10MW auxiliary turbine operating at 60hz, supplying electricity to FFC, and one (1) 52MW steam turbine at 50hz to supply KE.

POWER PURCHASE AGREEMENTS

FPCL maintains its long-term 30-year power purchase agreements with both customers, FFC and KE. The agreement with FFC is structured on a take or pay basis with minimum, maximum supply of 48MW, along with indexation of cost components and ROE denominated in USD. The PPA with KE is on take and pay basis, without minimum offtake or sovereign guarantee. The PPA obligates FPCL to have 52MW of available capacity for KE. Both contracts expire in the year 2047.

STEAM SUPPLY AGREEMENT

In addition to the power arrangements, FPCL maintains a long-term Steam Supply Agreement with FFC, which spans a period of 30 years and is set to expire in 2047. This agreement establishes FPCL as a primary provider of steam, a critical utility required for FFC's fertilizer production operations. The contract is designed to provide FPCL with a steady and long-term revenue source, further insulating the company from broader market volatility. By linking the steam supply to the core manufacturing requirements of its parent entity, the agreement reinforces the strategic and operational importance of FPCL within the group while ensuring high levels of off-take certainty over the life of the contract.

OPERATIONS & MAINTENANCE (O&M) CONTRACT

FPCL has an experienced in-house O&M team, with a track record of compliance with PPA/SSA parameters in terms of plant availability, capacity, and efficiency. However, given that O&M is performed by an in-house team, there is no recourse to liquidated damages in case plant's performance falls below the parameters specified in PPA.

DISPATCHES

Capacity and Production:			
Electricity		CY25	CY24
Installed Capacity - MW		639,480	641,232
Actual Energy Delivered - MW		301,000	483,620
Actual Capacity Factor		47.07%	75.42%
Steam		CY25	CY24
Installed Capacity - MT		1,752,000	1,756,000
Actual Steam Delivered - MT		1,475,750	1,529,226
Actual Capacity Factor		83.03%	87.05%

Energy dispatches for the year declined by 37.76%. from 483,620MW in CY24 to 301,000MW in CY25. This decline is attributable to lower offtake from KE in CY25, based on the merit order dispatch ranking. The company ranked between 4th and 7th on the merit order list in CY25. FPCL completely fulfilled the power and steam requirements of FFC's fertilizer complex. Going forward, the ultimate parent Fauji Foundation has contracted FPCL to supply 6MW power for a data center which will be operational by July 2026, along with future increases as the STZ becomes fully operational in the coming 5-6 years.

ENVIRONMENTAL, SOCIAL & GOVERNANCE

FPCL demonstrates a sound environmental, social, and governance (ESG) profile. On safety, the company reported total recordable incident rate remaining at zero during the first quarter of 2026. Environmental performance is fully compliant with SEPA Gaseous Emission Standards; actual emissions of Sulphur oxides, nitrogen oxides, and particulate matter are well within regulatory limits and compare favorably with international benchmarks. The plant's active alignment with green initiatives further underscores management's commitment to environmental stewardship.

PROFITABILITY:

Margins	CY23	CY24	CY25
Gross Margin (%)	28.7%	26.1%	24.2%
Net Margins (%)	14.3%	25.4%	20.5%
Net Margins (%) excl. Insurance	11.2%	17.3%	20.3%

The company's revenue declined to PKR 22.49bn in FY25 from PKR 29.51bn in FY24. This is mainly from the decline in revenue from KE by 59.55% to PKR 4.12bn in FY25 from PKR 10.19bn in FY24. For CY25, the average energy purchase price (EPP) stood at PKR 17.5449 and the capacity purchase price (CPP) stood at PKR 9.8973, for KE. The revenue from FFC declined by 4.93%, which is relatively stable and attributable to the fluctuations in energy pricing, as the EPP and CPP for FFC are decided on shipment of coal basis.

The decline in FY25 profitability reflects normalization following FY24, when earnings were temporarily augmented by a business interruption insurance claim amounting to PKR 2.39bn. The proceeds compensated for revenue lost due to technical problems with the generators. The adjusted net margin improved by approximately 3%, supported by an 82.65% reduction in finance costs following the full repayment of long-term debt.

Financial Risk

CAPITAL STRUCTURE

The Company had paid off its long-term debt in FY24 only using short term facilities for Letter(s) of Credit (LCs). Gearing improved to 0.11x (FY24 - 0.26x) and leverage improved to 0.21x (FY24 - 0.37x) as the company did not raise any debt during the review period, and the lower electric dispatch, lowered the utilization of LCs for coal imports.

DEBT COVERAGE & LIQUIDITY:

Overall liquidity and coverage indicators remain healthy, with FFO to total debt at 159%, current ratio at 2.09x and a cash conversion cycle of 73 days. The working capital cycle is expected to remain healthy and within this range, as its customers both pay on time (one is the parent, the other is a utility), and it imports coal on LCs. The company's management is confident in the company becoming cash positive in 2026, as their debt servicing and principal has ceased.

Financial Summary				
Balance Sheet (PKR Millions)	CY22A	CY23A	CY24A	CY25A
Property, plant and equipment	24,670.73	24,241.24	23,482.40	22,998.02
Intangible Assets	14.68	2.40	6.34	4.97
Long-term Investments	-	4,085.62	3,737.91	3,919.22
Stock-in-trade	2,718.64	2,488.77	2,132.12	2,390.20
Trade debts	12,487.71	4,615.41	3,765.63	3,566.98
Cash & Bank Balances	45.29	2,869.99	2,355.78	2,926.82
Other Assets	1,902.20	1,968.06	2,404.44	3,177.44
Total Assets	41,839.25	40,271.49	37,884.62	38,983.65
Creditors	3,114.59	194.76	2,222.49	1,004.59
Long-term Debt (incl. current portion)	11,326.93	12,187.38	-	-
Short-Term Borrowings	5,860.13	5,536.84	7,063.67	3,451.77
Total Debt	17,187.06	17,724.22	7,063.67	3,451.77
Other Liabilities	1,941.49	1,759.96	952.88	2,282.43
Total Liabilities	22,243.14	19,678.94	10,239.04	6,738.79
Paid up Capital	8,587.50	8,587.50	8,587.50	8,587.50
Revenue Reserve	11,008.58	12,005.06	19,510.12	24,109.43
Other Equity (excl. Revaluation Surplus)	-	-	(452.06)	(452.06)
Equity (excl. Revaluation Surplus)	19,596.08	20,592.56	27,645.56	32,244.87
Income Statement (PKR Millions)	CY22A	CY23A	CY24A	CY25A
Net Sales	30,650.82	28,057.48	29,506.82	22,487.57
Gross Profit	7,543.82	8,040.35	7,712.57	5,445.62
Operating Profit	7,047.12	8,673.42	10,289.69	5,269.19
Finance Costs	2,625.62	4,213.77	2,509.26	415.67
Profit Before Tax	4,421.50	4,459.65	7,780.43	4,853.52
Profit After Tax	4,058.31	4,018.64	7,503.53	4,609.03
Ratio Analysis	CY22A	CY23A	CY24A	CY25A
Gross Margin (%)	24.61%	28.66%	26.14%	24.22%
Operating Margin (%)	22.99%	30.91%	34.87%	23.43%
Net Margin (%)	13.24%	14.32%	25.43%	20.50%
Funds from Operation (FFO) (PKR Millions)	5,875.63	5,544.46	8,574.02	5,489.82
FFO to Total Debt* (%)	34%	31%	121%	159%
FFO to Long Term Debt* (%)	52%	45%	0%	0%
Gearing (x)	0.88	0.86	0.26	0.11
Leverage (x)	1.14	0.96	0.37	0.21
Debt Servicing Coverage Ratio* (x)	1.70	1.29	4.39	14.25
Current Ratio (x)	1.37	1.20	1.15	2.09
(Stock in trade + trade debts) / STD (x)	2.72	1.48	1.02	2.21
Return on Average Assets* (%)	10.17%	9.79%	19.20%	11.99%
Return on Average Equity* (%)	23.10%	20.00%	31.11%	15.39%
Cash Conversion Cycle (days)	103	129	70	73

* Annualized if required

REGULATORY DISCLOSURES Appendix II

Name of Rated Entity	FFBL Power Company Limited																																																						
Sector	Power																																																						
Type of Relationship	Solicited																																																						
Purpose of Rating	Entity Ratings																																																						
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Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.																																																						
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.																																																						
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Due Diligence Meetings Conducted	<table border="1"> <thead> <tr> <th>Name</th> <th>Designation</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>Mr. Salman Mir</td> <td>CFO</td> <td>15 April 2026</td> </tr> </tbody> </table>	Name	Designation	Date	Mr. Salman Mir	CFO	15 April 2026																																																
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